

Information Reporting Program Advisory Committee (IRPAC)
Comments to the
IRS Oversight Board

The Future Direction of Electronic Tax Administration
(Panel 1)

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On behalf of IRPAC, I thank the Chair and the members of the IRS Oversight Board for the opportunity to participate on this panel

The Information Reporting Program Advisory Committee (“IRPAC” or “Committee”) was established in 1991 in response to an administrative recommendation contained in the final Conference Report of the Omnibus Budget Reconciliation Act of 1989. At that time, Congress recommended that the Internal Revenue Service (“IRS”) consider the creation of an advisory group comprised of representatives from the payer community and practitioners to discuss improvements to the information reporting program. Since its inception, IRPAC has worked closely with IRS officials to provide recommendations on a broad range of issues intended to enhance the reporting program and achieve fairness to taxpayers.

During the past two years that I have served on IRPAC, the Committee has made a number of recommendations to the IRS related to the electronic processing of information returns and forms. The following are a few examples:

- Electronic Filing of Forms 990 – The IRS should maintain its current plans to implement electronic filing systems for Forms 990 and 990-EZ by January 2004, for fiscal year 2003. Electronic filing for Forms 990-T and 990-PT should be made available the following year. In addition, the Forms 990 and attachments should be simplified to make electronic filing more efficient and improve compliance by filers.

Electronic filing will also ensure quicker and more accurate publishing of exempt organization returns, which will assist donors in their decision making.

- Electronic Delivery of Payee Statements – The Electronic Payee Statements temporary regulations should be modified to include Forms 1099-R and 5498, which were omitted from the list of Forms W-2, 1098, and 1099 that may be furnished to payees electronically.
- TIN Matching Program – The Taxpayer Identification Number (“TIN”) Matching Program should be made available to employers to verify employee name and Social Security Number combinations. The Program should also be expanded to permit payers to verify name and TIN combinations reportable on Forms 1099-R and 5498.
- Questionable W-4 Program – The IRS should permit employers to report questionable Forms W-4 directly to the appropriate Service Center by e-mail or fax submission, in addition to the magnetic and electronic reporting alternatives now available. An easy submission method would help reduce the cycle time for processing questionable W-4 cases and improve employee compliance.

In the process of developing its recommendations, IRPAC has identified several factors that limit the growth of the electronic tax administration program. Thus far, the Committee has addressed these factors in a somewhat ad hoc manner as it has examined specific information reporting issues. Because a more systematic approach would benefit

all users of the electronic program, IRPAC offers the following recommendations for expanding its use:

Elimination of Regulatory Impediments to Electronic Processing

The IRS recently completed a review of the Income Tax Regulations designed to eliminate regulatory impediments to electronic filing of the Form 1040, in accordance with the IRS Restructuring and Reform Act of 1998. This review resulted in the issuance of temporary regulations eliminating a number of regulatory provisions that impede electronic filing. The IRS should initiate a similar review process with respect to other major returns and forms filed by business and nonprofit organizations.

Revision of Forms, Publications, and Instructions to Facilitate Electronic Processing

Many of the paper forms and returns do not lend themselves to electronic processing or matching. The IRS should examine each form series in order to facilitate the electronic processing of information reported on the forms *and* their attachments. For example, standardization of the substitute Forms K-1 would enhance the ability of the IRS to electronically match these forms with the Forms 1040. The IRS also needs to update its publications and instructions so that they incorporate the latest changes in electronic filing.

Improve the Electronic Tools Available to Tax Practitioners

For electronic tax administration to be embraced by the tax professional community, it must offer real and tangible benefits to practitioners. Such benefits could include the ability of practitioners, who have been authorized by a valid power of attorney, to review on-line a taxpayer's transcript or record of accounts, to review estimated tax payments made by a taxpayer during the year, and to review the status of any refunds due a taxpayer. Practitioners also would benefit by being able to use e-mail to communicate with the IRS in response to CP2000 notices issued to their clients. In addition, the IRS should utilize its Nationwide Tax Forums, which are heavily attended by practitioners, to offer workshops and "hands-on" demonstrations on the available features and benefits of the electronic program.

IRPAC believes that the IRS is aware of these issues and is committed to the improvement of its electronic tax administration initiatives. Forums such as today's hearing, that include IRS advisory committee representatives and other external stakeholders, should lead to a more coordinated approach in the elimination of barriers that stifle the growth of the electronic program.

Thank You.

